LEGISLATIVE SERVICES AGENCY

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FISCAL IMPACT STATEMENT

LS 7792 | **NOTE PREPARED:** Jan 19, 2005
BILL NUMBER: SB 369 | **BILL AMENDED:**

SUBJECT: Tuition Controls.

FIRST AUTHOR: Sen. Kenley | **BILL STATUS:** As Introduced
FIRST SPONSOR:

FUNDS AFFECTED: X **GENERAL** | **IMPACT:** State
DEDICATED
FEDERAL

Summary of Legislation: This bill mandates procedures to be followed by public universities and colleges when establishing tuition and mandatory fee rates. It requires institutions to establish tuition schedules for the two-year period that follows the enactment of a state biennial budget. The bill limits the percentage that tuition may be increased in any year. The bill also permits an institution to request a higher tuition increase from the Commission for Higher Education.

Effective Date: Upon passage.

Explanation of State Expenditures: The bill requires the Commission for Higher Education (HEC) to certify to state college and universities by April 15 of each odd-numbered year the income growth rate and the maximum annual tuition percentage increase permitted for the following two academic years. The income growth rate is the average growth in Indian nonfarm income over the previous 3 years.

The maximum percentage increase in state college and university tuition and mandatory fees the first year following the passage of a state biennial budget is the income growth rate certified by HEC plus 1%. The maximum increase the second year of the biennium is the maximum increase allowed the first year of the biennium plus 1%.

Universities can appeal to HEC for a larger percentage increase in tuition and mandatory fees. If an increase is granted, then the university has to increase it financial aid to students that receive financial aid from the State Student Assistance Commission. The amount of additional aid would be determined by HEC.

The bill could reduce future revenue options or funding sources universities currently have available since they could be limited in the future tuition increases for students. The impact would depend on the action of the universities. The universities might offset the possible revenue reduction by reducing expenditures, raising fees of incoming students to offset anticipated expenditure increases, or increasing revenue from nontuition sources. Nontuition sources could include grants, certain student fees, or donations.

The bill could increase the administrative expenses of HEC, but the increase would probably be minor.

Background Information: For the 2004-2005 academic year, the increase in undergraduate tuition and required fees ranged from 3.5% to 5.9%. Most increases were between 3.8% and 4%. The average annual increase over the last 10 years has ranged between 3.7% and 9.2%. Most universities were in the 6% to 7% range.

The Indiana nonfarm personal income (IPI) grew by 2.4% from CY 2001 to CY 2002 and 3.4% from CY 2002 to CY 2003. Based on the Economic Forum's December 14, 2004, forecast, IPI is projected to grow by 4.4% in CY 2004 with the 3-year (2001-2004) average annual increase projected to be 3.4%. Based on these projections, tuition increases would be limited to 4.4% in the 2005-2006 school year and 5.4% in the 2006-2007 school year.

Based on the Economic Forum's IPI projections for CY 2005 (4.7%) and CY 2006 (4.9%), the tuition limitation would be approximately 5.7% for the 2007-2008 school year and 6.7% for the 2008-2009 school year.

Explanation of State Revenues:

Explanation of Local Expenditures:

Explanation of Local Revenues:

State Agencies Affected: State Universities; Commission for Higher Education.

Local Agencies Affected:

Information Sources: *Postsecondary Education Tuition and Required Fees in Indiana:2004-05* by the Indiana Commission for Higher Education; Economic Forecast Committee, December 14, 2004, Revenue Forecast.

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